Update on food procurement

An increasingly proactive approach to food procurement

1. Until the early 2010s WFP’s approach to food procurement was prominently reactive, with the sourcing process only starting upon confirmation of a contribution and sometimes limited to identifying the cheapest option currently available on the market; that resulted in a suboptimal utilization of funds and often lengthy lead times in the delivery of food to beneficiaries.

2. From 2011, to cope with a progressively more complex operating environment, the organization started to take an increasingly proactive approach to food procurement in order to optimize the use of available resources and more efficiently reach beneficiaries. Innovative solutions adopted over the last ten years have included the expansion of the forward purchasing mechanism, the Global Commodity Management Facility (GCMF); the establishment of long-term agreements; the production of sourcing plans based on demand forecasts, improved market assessments and vendor evaluations; and increased emphasis on local and regional purchases, among other things.

3. Consequently, food procurement units at all levels moved from a largely transactional approach to become key enablers of efficiency benefits for the organization. In 2020, WFP sourced 3.3 million mt of food for a total value of USD 1.7 billion; a large share of the purchasing took place in regions where WFP was providing assistance and in low and lower-middle-income countries, thus stimulating developing economies through local and regional procurement.

4. By purchasing food through the GCMF, WFP’s Food Procurement Unit managed to achieve a 77 percent reduction in delivery lead times (which has proved critical in corporate emergencies and the supply of specialized nutritious foods) and USD 54 million in cost savings. It also facilitated WFP’s service provision activities, with a record 533,000 mt of food sourced on behalf of national governments, with a further increase to 1 million mt foreseen for 2021.
Looking ahead, the Procurement Division aims to support the transformation of food systems with a view to creating resilient and equitable supply chains that focus on delivering value and benefits to all stakeholders, including the people that WFP aims to serve more efficiently, as part of productive, equitable, inclusive and socially, environmentally and economically sustainable food systems capable of fostering peace and stability.

**WFP food procurement in 2020**

In 2020, WFP purchased 3.3 million mt of food with a value of USD 1.7 billion.\(^1\) Despite the minor decrease in tonnage compared to 2019 and 2018, the value of the food procured was in line with the 2019 figures, owing mainly to the increased priority given to more expensive commodities such as vegetable oil and specialized nutritious foods.

**Figure 2**

**Commodities procured in 2020 by category**

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\(^1\) Source: WFP. *Food PO report (ZSCR035)*, updated 23 March 2021.
7. Cereals represented nearly 75 percent of the tonnage procured in 2020, with wheat, maize, wheat flour, sorghum and rice collectively accounting for 92 percent of the total 2.4 million mt purchased. As for pulses, while beans were distributed across all WFP's geographical areas of operation, split peas and peas were mostly consumed in Africa and chickpeas, lentils and split lentils were procured for consumption in the Middle East.

8. In terms of value, the impact of mixed and blended foods and oils and fats on overall procurement was significant (24 and 11 percent respectively of the total value). Regarding mixed and blended foods, lipid-based nutrient supplements, Super Cereal (CSB+) and Super Cereal Plus (CSB++) accounted for 77 percent of the total value, while the Middle East region alone accounted for 57 percent of all vegetable oil purchases, owing to high rates of consumption in the Syrian Arab Republic and Yemen.

Main sourcing countries

9. The 3.3 million mt of food procured in 2020 were purchased in 92 countries, with 56 percent of the total sourced from low- and lower-middle-income countries\(^2\) and around 60 percent procured in countries with ongoing WFP operations, hence stimulating developing economies at a time when the COVID-19 pandemic was having a major impact on domestic income across the world.

<p>| Table 1: Food Procurement by Sourcing Country, 2020 |
|---------------------------------------------|---------------|--------------|</p>
<table>
<thead>
<tr>
<th>Country</th>
<th>Quantity (mt)</th>
<th>Value (USD million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top 10</td>
<td>1 939 000</td>
<td>833</td>
</tr>
<tr>
<td>Ukraine</td>
<td>424 000</td>
<td>107</td>
</tr>
<tr>
<td>Turkey</td>
<td>336 000</td>
<td>165</td>
</tr>
<tr>
<td>Romania</td>
<td>185 000</td>
<td>44</td>
</tr>
<tr>
<td>Russian Federation</td>
<td>181 000</td>
<td>67</td>
</tr>
<tr>
<td>Sudan</td>
<td>153 000</td>
<td>64</td>
</tr>
<tr>
<td>South Africa</td>
<td>127 000</td>
<td>63</td>
</tr>
<tr>
<td>Belgium</td>
<td>106 000</td>
<td>98</td>
</tr>
<tr>
<td>United Republic of Tanzania</td>
<td>97 000</td>
<td>37</td>
</tr>
<tr>
<td>Uganda</td>
<td>95 000</td>
<td>32</td>
</tr>
<tr>
<td>Guatemala</td>
<td>89 000</td>
<td>82</td>
</tr>
<tr>
<td>Others</td>
<td>1 382 000</td>
<td>42</td>
</tr>
<tr>
<td>Total</td>
<td>3 321 000</td>
<td>1 704</td>
</tr>
</tbody>
</table>

\(^2\) Based on the World Bank Country and Lending Groups classification (link consulted on 2 April 2021).
10. The top ten sourcing countries for 2020 accounted for 58 percent of the total volume procured. Ukraine mainly supplied WFP with wheat (largely for service provision activities) and split peas, while Turkey supplied a wide range of commodities such as wheat flour, vegetable oil, bulgur wheat and pulses, especially for distribution in the Middle East. Large amounts of wheat were also sourced from Romania and the Russian Federation, with the latter also providing wheat flour, vegetable oil and pulses.

11. Four sub-Saharan African countries figure among the top ten sourcing countries for the food procured in 2020. Sudan was the main source of sorghum for countries in East Africa, while South Africa provided maize, maize meal, Super Cereal and lipid-based nutrient supplements to neighbouring countries in Southern and Eastern Africa. Large quantities of cereals (mostly maize) and pulses were also procured in the United Republic of Tanzania and Uganda. Commodities purchased in Guatemala enabled the provision of critical support to government-run food assistance projects through WFP’s service provision activities.

Support for procurement in countries where WFP operates

12. Procurement is primarily undertaken in countries with reported surplus stocks to minimize the risk of causing deficits and inflating market prices. With the outbreak of the COVID-19 pandemic, procurement of food in the countries where it was to be distributed helped to address urgent needs where borders were closed, and the importation of commodities was challenging. In general, cereals and pulses were purchased across regions based on demand and market availability; vegetable oil was mainly sourced from Turkey (for consumption in the Middle East and Southern Africa regions) and the Far East (mostly for consumption in Africa).

13. With regard to mixed and blended foods, significant quantities of lipid-based nutrient supplements were procured in Kenya, South Africa, Ethiopia and the Niger, while Super Cereal Plus was increasingly purchased from factories in Rwanda. Supplies of those commodities, which are often prioritized because they address immediate food needs, are usually subject to production capacity issues owing to the limited number of available suppliers; diversifying purchasing options therefore makes it possible to enhance the capacity to meet demand, stimulate competition among suppliers and reduce prices. Purchasing food closer to the recipient countries also allows WFP to better satisfy beneficiaries’ preferences and to reach them more quickly.

Implementation of the local and regional food procurement policy

14. At its 2019 second regular session, WFP’s Executive Board approved a new local and regional food procurement policy, which was designed to further boost local and regional purchasing – including through pro-smallholder farmer support – while taking into consideration cost-efficiency.

15. Throughout 2020, the Food Procurement Unit at headquarters and the Food Systems and Smallholder Support Unit worked in coordination to develop a framework for implementing the policy and interim guidance for pilot countries.³

³ The guidance covers the main programmatic objectives – value chain assessment, theory of change, monitoring and evaluation and traceability – and the following procurement-related matters: procurement guidelines and normative guidance; local and regional procurement; pro-smallholder farmer procurement; and the use of GCMF funding.
16. Continued technical support was also provided to regional bureaux and country offices through virtual workshops and bilateral meetings, particularly on the scaling up of indirect contract modalities and the use of direct and forward contracts with farmer organizations. The development of systems and tools for demand and supply analysis has also been initiated, along with relevant changes to business process models.

**Scaling up procurement from smallholder farmers**

17. For the fifth consecutive year, WFP increased its pro-smallholder farmer procurement in 2020, reaching a value of over USD 49 million (32 percent more than in 2019), or around 3 percent of the total value of food procured (compared to 2 percent the previous year). Pro-smallholder farmer procurement took place in 27 countries, with the Sudan accounting for the largest share of the total value (35 percent) and tonnage (46 percent).

18. The GCMF serves as a key enabler of procurement from smallholder farmers.

19. In 2020, the Food Procurement Unit, through the dedicated GCMF envelope approved by the Executive Board, facilitated the purchase of more than 8,000 mt of food from smallholder farmers, mainly in the Niger, the United Republic of Tanzania, Kenya and Uganda. Through an earlier start of the procurement process, country offices were able to purchase food right after harvest and to receive their commodities in an average of just nine days, which was remarkable considering that procurement from smallholder farmers can take up to nine months and often be affected by supplier defaults.

20. Further scaling-up of pro-smallholder farmer purchases is envisaged through the implementation of the local and regional food procurement policy, in conjunction with the use of enhanced traceability and reporting tools to mitigate the risk of underreporting of those purchases.

**Reducing delivery lead times**

21. In 2020, the Food Procurement Unit enabled country offices to purchase 1.8 million mt of food (valued at USD 826 million) through the GCMF with reduced lead times;\(^4\) that is 55 percent of the total amount purchased by country offices.\(^5\)

22. Thanks to improved planning and better coordination among the functional areas involved in the implementation of the GCMF, lead times have steadily decreased from the average of 55 days recorded in 2015. In 2020, country offices purchasing from corporate stocks received their food supplies, on average, after 28 days,\(^6\) which represented a 77 percent reduction from the average of 120 days under the conventional procurement process.

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\(^4\) Including 368,000 mt procured through WFP’s service provision activities.

\(^5\) Taking into consideration purchases through the GCMF from corporate stocks plus conventional procurement (WFP. Food PO report (ZSCR035), updated 23 March 2021).

\(^6\) Calculated as a weighted average (based on tonnage) of individual sales order lead times (WFP GCMF inventory status and tracking overview, updated 23 March 2021).
23. The lead-time gains enabled by the Supply Chain Operations Division through the GCMF are critical for specialized nutritious foods, which often need longer lead times owing to the above-mentioned production capacity issues. For the purchase of such foods, WFP country offices therefore rely increasingly on the GCMF, which accounts for 84 percent of overall procurement. The expansion of sourcing options that are closer to the people served by WFP (enabling enhanced production capacity and greater proximity to distribution areas) has made it possible to deliver Super Cereal within one month and lipid-based nutrient supplements (large quantity) within just 45 days when purchasing from corporate stocks.

Enabling responses to unfolding emergencies

24. In 2020, more than 1.4 million mt of food were purchased by country offices facing Level 3 emergencies; that represents 43 percent of the total volume. The largest amounts were purchased by the Syrian Arab Republic, Yemen and South Sudan country offices, which cumulatively account for 78 percent of the subtotal for Level 3 emergencies.

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7 Lipid-based nutrient supplements and Super Cereal.
8 Purchases through the GCMF from corporate stocks plus conventional procurement (WFP Food PO report (ZSCR035), updated 23 March 2021).
The pre-positioning of corporate stocks through the GCMF proved critical in ensuring that food was readily available to be handed over to country offices upon confirmation of contributions, thereby reducing the lead times needed to reach beneficiaries.

Significant results in terms of lead-time gains were achieved in Yemen and Nigeria through improved planning and in-country procurement, while the annual pre-positioning exercise in South Sudan (to bring stocks into the country before the beginning of the rainy season, when most of the country becomes inaccessible by road) allowed the delivery lead time to be reduced to one month and enabled significant savings.

Ad hoc support was provided to the Syrian Arab Republic, leading to marginal reductions in the delivery lead time, while in the Democratic Republic of the Congo, despite logistics challenges, the lead time was more or less halved through the use of the GCMF.

Significant investments have been made to expand WFP’s supplier base globally so that its food procurement operations can deal with increased demand in rapid-onset emergencies. International suppliers have been engaged through food supply agreements and other types of contracts to ensure full flexibility and allow cargoes, when necessary, to be diverted from their originally contracted destinations.

The Food Procurement Unit is continually developing sourcing strategies and tactical intervention plans to address the requirements for emergency response operations, with staff actively involved in emergency preparedness activities and in advising governments on related measures. When an emergency unfolds, food procurement staff are regularly deployed to support local and international procurement efforts, often within 24 hours of the onset of the emergency.

COVID-19 response

In response to the increased needs caused by the COVID-19 pandemic, WFP took steps to scale up its activities and reached 114 million people with food assistance in 2020. To ensure operational continuity, two months’ worth of food stocks were positioned in close proximity to key operations. Double rations were sometimes distributed to reduce the frequency and size of gatherings at distribution points and some countries adapted their school feeding programmes to provide for take-home rations in lieu of in-school meals.
31. Challenges were encountered across all aspects of the WFP supply chain. International procurement of specific commodities was characterized by delays in the fulfilment of contracts owing to a lack of containers for liner shipments and issues with the loading of charter vessels due to COVID-19 restrictions and social distancing measures in ports. Several countries implemented strict measures to control the spread of COVID-19 across borders, including testing requirements, mandatory transhipment and, in some instances, temporary border closures, which caused a general slowdown throughout the supply chain.

32. The testing of food samples was also subject to delays because of challenges faced by courier services in transporting samples to laboratories. Similarly, there were delays in obtaining cargo and other key import documentation such as phytosanitary and radiation certificates.

33. Procurement staff addressed these challenges through increased cooperation with the Supply Chain Planning Service, adjustments to procurement plans and rerouting of stocks when necessary; this permitted the achievement of approximately 70 percent of the target for the pre-positioning of food (one month’s in-country supply and a three-month buffer stock).

Securing lower prices

34. Over the last calendar year, the Food Procurement Unit enabled significant cost savings through improved planning based on enhanced market assessments, the production of sourcing plans based on the seasonality of food production and related fluctuations in prices, long-term agreements, improved contractual power through economies of scale and so on. That proactive approach allowed WFP to capitalize on market opportunities and to secure lower prices for food commodities, especially those affected by seasonal price fluctuations such as cereals and pulses.

35. By purchasing food when prices were lower and enabling economies of scale through the purchase of large quantities, the Food Procurement Unit was able to facilitate significant cost savings through the GCMF. Country offices served by the facility often had the chance to purchase food procured during the post-harvest season from corporate stocks, when prices in the market would otherwise have been very high (e.g. during the lean season), as illustrated in table 2, below.\(^9\)

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\(^9\) Table 2 compares the purchases made in 2020 of commodities procured through both the GCMF (from corporate stocks) and the conventional procurement process. The average price (USD/mt, for the food plus external transport) was calculated as a weighted average based on the tonnage purchased. When unavailable, the external transport rate was based on historical trends for the region (sources: WFP, WFP Information Network and Global System (WINGS) report (ZSCR035) and WFP, GCMF inventory status and tracking overview, updated 23 March 2021). Prices in green represent commodities for which the price paid to purchase from the GCMF was lower than the price for conventional procurement.
### TABLE 2: SAVINGS ENABLED BY PROCUREMENT THROUGH THE GCMF, 2020

<table>
<thead>
<tr>
<th>Commodity</th>
<th>GCMF Quantity (mt)</th>
<th>GCMF Price (USD/mt) (food + external transport)</th>
<th>Conventional procurement Quantity (mt)</th>
<th>Conventional procurement Price (USD/mt) (food + external transport)</th>
<th>Savings (USD million)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cereals</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maize</td>
<td>287 000</td>
<td>324</td>
<td>81 000</td>
<td>305</td>
<td>-5.3</td>
</tr>
<tr>
<td>Maize meal</td>
<td>19 000</td>
<td>547</td>
<td>28 000</td>
<td>450</td>
<td>-1.8</td>
</tr>
<tr>
<td>Rice</td>
<td>78 000</td>
<td>481</td>
<td>65 000</td>
<td>544</td>
<td>4.9</td>
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<tr>
<td>Sorghum/millet</td>
<td>320 000</td>
<td>355</td>
<td>49 000</td>
<td>355</td>
<td>0.2</td>
</tr>
<tr>
<td>Wheat</td>
<td>476 000</td>
<td>276</td>
<td>148 000</td>
<td>270</td>
<td>-3.0</td>
</tr>
<tr>
<td>Wheat flour</td>
<td>198 000</td>
<td>366</td>
<td>135 000</td>
<td>352</td>
<td>-2.7</td>
</tr>
<tr>
<td><strong>Pulses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beans</td>
<td>70 000</td>
<td>767</td>
<td>22 000</td>
<td>806</td>
<td>2.7</td>
</tr>
<tr>
<td>Peas</td>
<td>17 000</td>
<td>635</td>
<td>2 000</td>
<td>641</td>
<td>0.1</td>
</tr>
<tr>
<td>Split peas</td>
<td>68 000</td>
<td>438</td>
<td>7 000</td>
<td>486</td>
<td>3.2</td>
</tr>
<tr>
<td><strong>Mixed and blended</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>High-energy biscuits</td>
<td>3 000</td>
<td>1 577</td>
<td>4 000</td>
<td>1 562</td>
<td>&lt;0.1</td>
</tr>
<tr>
<td>Lipid-based nutrient supplements</td>
<td>30 000</td>
<td>2 414</td>
<td>7 000</td>
<td>2 500</td>
<td>2.6</td>
</tr>
<tr>
<td>(large quantity)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lipid-based nutrient supplements</td>
<td>21 000</td>
<td>2 418</td>
<td>1 000</td>
<td>2 256</td>
<td>-3.4</td>
</tr>
<tr>
<td>(medium quantity)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Super Cereal (CSB+)</td>
<td>44 000</td>
<td>665</td>
<td>8 000</td>
<td>756</td>
<td>4.0</td>
</tr>
<tr>
<td>Super Cereal Plus (CSB++)</td>
<td>88 000</td>
<td>1 088</td>
<td>4 000</td>
<td>1 497</td>
<td>35.9</td>
</tr>
<tr>
<td>Super Cereal (WSB+)</td>
<td>20 000</td>
<td>877</td>
<td>7 000</td>
<td>809</td>
<td>-1.4</td>
</tr>
<tr>
<td>Super Cereal Plus (WSB++)</td>
<td>2 000</td>
<td>1 088</td>
<td>8 000</td>
<td>1 099</td>
<td>&lt;0.1</td>
</tr>
<tr>
<td><strong>Oils and fats</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vegetable oil</td>
<td>71 000</td>
<td>994</td>
<td>92 000</td>
<td>1 246</td>
<td>17.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1 811 000</td>
<td>670 000</td>
<td>53.8</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

36. Through the GCMF, the Food Procurement Unit secured better prices for international purchases of rice (from Pakistan, India and Myanmar) for distribution in West Africa and Madagascar. Higher prices were paid for maize to meet the urgent needs in Zimbabwe (for which the lower conventional procurement price is related to the purchase of maize for service provision activities) and to support procurement in Uganda and the United Republic.
of Tanzania, while maize meal was only sporadically procured through the GCMF in Southern Africa to meet immediate requirements in the Democratic Republic of the Congo.

37. Capitalizing on seasonal variations in food supply, lower prices were secured for all pulses, while increasing the number of suppliers in East and Southern Africa (e.g. in Kenya, Uganda and Rwanda) helped to push down prices for lipid-based nutrient supplements (large quantity) and Super Cereal. Finally, remarkable cost savings on vegetable oil were made possible through economies of scale, despite the increasing procurement of more expensive sustainable palm oil.

38. In sum then, in 2020, the Food Procurement Unit enabled savings to USD 54 million through the GCMF compared to the higher price that country offices would have had to pay in absence of the facility (i.e. if all procurement had had to take place through the “conventional” approach).

Enabling government-run food assistance programmes through service provision activities

39. In addition to the procurement of food commodities for WFP operations, 2020 saw a further, substantial scale-up of service provision activities whereby the organization puts its supply chain expertise at the disposal of government-run food assistance programmes.

40. Last year, WFP's procurement for service provision activities increased to a record volume of 533,000 mt (valued at almost USD 200 million) sourced on behalf of national governments, which was more than double the previous record observed in 2019 (247,000 mt). Almost 70 percent of that volume was enabled by the GCMF, which made it possible to purchase food at favourable prices and to reach the beneficiaries targeted by governments more quickly and efficiently.

41. In 2020, the largest service provision agreements were implemented in the Sudan (242,000 mt) and Ethiopia (200,000 mt), where WFP's purchases of wheat from Ukraine, Romania and the Russian Federation made it possible to replenish national strategic reserves and cover a share of reported grain deficits. In Guatemala, around 90,000 mt of mixed commodities were sourced in-country, in record time, to support government-run feeding programmes in the face of the challenges posed by the COVID-19 pandemic.

42. The countries involved were supported in the preparation of agreements, budget plans and delivery schedules (based on favourable market conditions) and in reviewing operational and financial risks in close collaboration with internal and external stakeholders.

43. A further increase in food procurement service provision is foreseen for 2021, with the purchase of almost 1 million mt of wheat having already been planned based on memorandums of understanding signed with the governments of Ethiopia and the Sudan. WFP plans to review its service provision tools and processes in order to make them more efficient and effective.

An increasingly decentralized approach to procurement

44. WFP's procurement activities are largely decentralized, with staff located at headquarters, at the six regional bureaux and in 61 country offices. In principle, international procurement of most food commodities is administered at headquarters, although a share of it has been decentralized to the regional bureaux, which are closer to the main markets and areas where the commodities are grown.
### TABLE 3: FOOD PROCUREMENT BY PURCHASING OFFICES, 2020

<table>
<thead>
<tr>
<th>Purchasing offices</th>
<th>Quantity</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(mt)</td>
<td>(USD million)</td>
</tr>
<tr>
<td>Headquarters</td>
<td>1 683 000</td>
<td>858</td>
</tr>
<tr>
<td>Regional bureaux</td>
<td>549 000</td>
<td>254</td>
</tr>
<tr>
<td>Country offices</td>
<td>1 097 000</td>
<td>592</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3 329 000</strong></td>
<td><strong>1 703</strong></td>
</tr>
</tbody>
</table>

45. Compared to 2019, a minor increase in purchasing by country offices has been observed, with increased procurement responsibilities given to those in Guatemala (mainly for service provision activities), Nigeria, the United Republic of Tanzania and Colombia; more centralized purchases were needed for Yemen to complement in-country availability and meet urgent needs.

46. As for the future, WFP is seeking to pursue an increasingly localized approach to food procurement and to delegate sourcing responsibilities to its offices in the countries where it operates. To that end, significant investments will be made in building the capacity of teams located in the field.

### Ensuring sustainability

#### Reducing the carbon footprint

47. In 2020, the Food Procurement Unit worked with the Environmental Unit to secure the approval of an investment case (yet to be approved) for the development and implementation of a carbon footprint calculation tool that will allow WFP to measure the cost of greenhouse gas emissions linked to procurement-related activities across its supply chain.

#### Promoting sustainable packaging

48. Most of WFP's packaging, especially for staple commodities such as cereals, pulses and sugar, consists of woven polypropylene bags. In an endeavour to reduce the plastic waste generated by the use of those bags in humanitarian operations, WFP is working on a two-year project, in coordination with the International Committee of the Red Cross and the United Nations High Commissioner for Refugees, to design, field test and scale up the use of alternative packaging materials.

49. The Food Procurement Unit is also taking part in the Joint Initiative on Sustainable Humanitarian Packaging Waste Management, led by the United States Agency for International Development and involving several other agencies, with the objective of delivering life-saving assistance more effectively and efficiently while protecting against environmental risks. The aim is to improve, standardize and harmonize global procurement specifications by providing suppliers and humanitarian procurement staff with guidance and tools and encouraging the integration of sustainability criteria into tendering processes.

#### Sustainable palm oil

50. In 2020, sustainable products certified by the Roundtable on Sustainable Palm Oil (RSPO) represented 12 percent of WFP’s palm olein oil purchases. The sourcing of RSPO-certified products was affected by a tightness in supply and the effects of COVID-19 lockdowns in Asia during the first three quarters of the year, but it regained momentum in the last quarter. WFP will continue to strive to increase the share of certified sustainable palm oil procured in 2021, in line with corporate targets.
Oversight

51. In 2020, the Food Procurement Unit continued to ensure oversight and provide guidance, particularly in relation to undertaking procurement actions while working remotely, conducting remote compliance missions and providing high-level support for field operations during the COVID-19 pandemic. Training materials continued to be developed and shared via WFP’s WeLearn platform to help procurement staff to enhance their knowledge and skills.

52. WFP’s new supply chain import parity system has continued to be improved to meet the increasing need to better assess sourcing options.

The way forward

53. The COVID-19 pandemic has resulted in steeply rising food insecurity, highlighting the fragility of food systems and their vulnerability to sudden shocks; WFP estimates that an additional 121 million people will fall into acute food insecurity in 2021, pushing the total to 272 million in 79 countries.

54. Against that backdrop, the global spotlight in 2021 is on the importance of transforming food systems, which must now have the capacity to withstand disruption and shocks in the short term and make it possible for economies and societies to “build back better” in the medium to long term. Fundamental to that transformation are resilient and equitable supply chains that focus on delivering value and benefits to all stakeholders, including the people that WFP strives to serve more efficiently.

55. As the main actor driving progress towards the goal of achieving zero hunger, WFP has a responsibility to be a leader in this rethinking process by reassessing and innovating its supply chain management model across the entire value chain. From a procurement perspective, the main objectives put forward by WFP to support the building of resilient, inclusive and equitable supply chains are:

i) to pursue an increasingly localized approach to procurement by, among other things, scaling up pro-smallholder farmer purchases, mapping existing tools and initiatives and testing industry-standard methods for mitigating the risk of post-harvest losses;

ii) to professionalize its capacity to procure better and differently by, among other things, improving its vendor management system and ensuring the safety and quality of staple commodities and processed foods; and

iii) to reduce the environmental and social impacts of its procurement actions by, among other things, strengthening the sustainability parameters, training staff and establishing annual carbon footprinting for contracted land and sea freight carriers.

56. The above objectives will call for stakeholders from across various sectors to come together to create productive, equitable, inclusive and socially, environmentally and economically sustainable food systems capable of fostering peace and stability.
ANNEX

Additional information on commodities procured

<table>
<thead>
<tr>
<th>Category</th>
<th>Commodities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cereals</td>
<td>Barley, buckwheat, bulgur wheat, maize, maize meal, oat, pasta, rice, sorghum/millet, wheat, wheat flour</td>
</tr>
<tr>
<td>Pulses</td>
<td>Beans, canned pulses, canned vegetables, chickpeas, lentils, peas, split lentils, split peas</td>
</tr>
<tr>
<td>Mixed and blended</td>
<td>Biscuits, BP-5 emergency rations, date bars, high-energy biscuits, lipid-based nutrient supplements, Super Cereal, Super Cereal Plus, Vitatol, wheat and soy flour</td>
</tr>
<tr>
<td>Oils and fats</td>
<td>Olive oil, vegetable oil</td>
</tr>
<tr>
<td>Others</td>
<td>Canned beef, canned chicken, canned fish, other canned meat, cassava flour, fresh tubers, halawa, iodized salt, micronutrient powder, plain dried skimmed milk, processed tomato, pre-packed food rations, spices, sugar, tea, UHT milk, yeast</td>
</tr>
</tbody>
</table>

Cereals

1. In 2020, WFP purchased 2.4 million mt of cereals, representing 72 percent of the total volume of food purchased, with a value of USD 830 million.

Wheat

2. In 2020, WFP purchased more than 700,000 mt of wheat (22 percent of its global food purchases) with a value of USD 178 million. A significant share of this was sourced for the governments of Ethiopia and the Sudan.

3. Regional strategies and preparedness actions were developed for the sourcing of cereals. Specifically, a contingency plan was prepared to address the need in Yemen to pre-position wheat by identifying potential storage and milling hubs.

Maize

4. Maize purchases increased to 423,000 mt in 2020 from the 359,000 mt recorded in 2019. WFP mainly purchases white maize varieties, which represent only 5 percent of global maize production. More than 90 percent of the global output of white maize is produced in developing countries, where prices are only partly influenced by global maize markets.

5. WFP therefore purchases white maize predominantly in the countries where it operates, local markets permitting. When harvests are poor and production falls, sourcing additional quantities from other countries becomes critical, and in such cases white maize is bought from more stable markets such as those of South Africa and Mexico.

6. The regional white maize crop market remained mostly positive in 2020. As better weather conditions contributed to good crop development and global food markets were well supplied, most of the maize for operations in East Africa could be bought in the region, in spite of the disruptions, volatility and unpredictability resulting from the COVID-19 pandemic, locust infestations and localized weather events.

Wheat flour

7. To support cross-border operations into the Syrian Arab Republic in 2020, the Food Procurement Unit sourced wheat flour in 15 kg bags in addition to the standard 50 kg bags; as wheat flour is a sensitive commodity that is susceptible to infestation when apportioned or handled incorrectly, this led to a reduction in the potential for deterioration in quality.
Sorghum
8. In 2020, sourcing sorghum from the Sudan was particularly challenging as a result of reduced crop production, extensive COVID-19 lockdowns and temporary export bans. Those elements, coupled with high inflation and a lack of subsidized fuel in the country, led to a significant increase in sorghum prices.

9. In 2020, WFP performed extensive market assessments to diversify sourcing strategies and support the timely pre-positioning of sorghum in South Sudan to limit the risk of pipeline breaks during the rainy season. That paved the way for access to new international markets, with around 34,000 mt of sorghum sourced from Australia, India and Ukraine in 2020; that volume is expected to increase in 2021.

10. Complementing purchases of sorghum in the countries where WFP operates with procurement from additional international markets such as Australia resulted in significant savings given the prices in the Sudan. Meanwhile, re-entry into the Indian market after many years of avoiding it because of quality control issues was subject to tight quality control measures and a strict inspection regime (e.g. specific cleaning and sieving measures agreed with suppliers and inspectors), based on the lessons learned from previous experience.

11. In addition to bulk shipments from Australia, WFP’s field office in Mombasa received its first ever containerized cargo shipment, of approximately 4,000 mt of sorghum. In addition to the cost savings this provided it was a good opportunity to trial the handling of bulk grain in containers and helped to support local suppliers in developing innovative solutions to evolving logistical needs.

Rice
12. In 2020, the amount of rice procured decreased to 340,000 mt from 416,000 mt in 2019. International procurement of rice was characterized by delays in the execution of contracts, caused mainly by an Asia-wide lack of containers for liner shipments and difficulties in the loading of charter vessels linked to COVID-19 restrictions and social distancing measures in ports. Consequently, the lead time for this commodity sometimes increased to one and a half months for shipping, bringing the overall lead time to four and a half months.

Pulses
13. In 2020, WFP purchased 332,000 mt of pulses with a value of USD 206 million. Beans and yellow split peas were the main pulses procured. Beans are normally procured in the countries where WFP operates, while yellow split peas are procured internationally, usually at lower prices; there are not many varieties of the latter, they are acceptable worldwide and, in general (in 2020 particularly), they represent a “substitute” commodity when other pulses are unavailable or too expensive.

14. Pulse prices increased significantly in 2020 as a result of COVID-19 restrictions, including export bans and their impact on production and logistics in countries of origin; prices suddenly went up by 10 percent in the first quarter of the year, continued to rise thereafter and peaked in the fourth quarter. This has continued in 2021 and is expected to remain the trend until the next harvesting season (starting in June 2021).

15. WFP has mitigated risks associated with increasing food prices (and will keep doing so) through market assessments, the development of sourcing plans based on demand forecasts and production capacity, and more specifically by optimizing the use of the GCMF Special Account, especially during the post-harvest season.
Specialized nutritious foods

16. The quantity of specialized nutritious foods procured in 2020 decreased by around 10 percent compared to 2019 as a result of a significant reduction in the purchase of Super Cereal, partly offset by a sharp increase in that of lipid-based nutrient supplements; this was driven by the strategy of substituting the latter for the former whenever possible in view of the limited supply of Super Cereal on the market. The higher cost of lipid-based nutrient supplement products resulted in a 15 percent increase in global expenditure for specialized nutritious foods compared to the previous year.

17. Local and regional procurement of specialized nutritious foods significantly increased in comparison to 2019, further reducing WFP's dependence on international suppliers.

18. Five additional suppliers of Super Cereal were registered in 2020, including in Ghana and South Africa, yet capacity remains insufficient to meet the expected demand. This shortfall has led to the development and implementation of a two-pronged strategy aimed at addressing the immediate needs while developing a healthy and sustainable supply base.

19. Several activities were carried out at headquarters and in the field (involving collaboration between the Food Procurement Unit, the Supply Chain Planning Service, the Strategic Financing Branch, the Food Safety and Quality Unit and the Nutrition Division) to address immediate needs and ensure that pipelines were not affected by the shortage of Super Cereal. The strategies employed included:

➢ optimizing the use of current capacity through proactive planning, long-term agreements and careful priority-setting;
➢ consolidating the procurement of specialized nutritious foods under the GCMF to facilitate the coordination and prioritization of supply;
➢ reducing demand through substitution and the use of alternative products (e.g. a lipid-based nutrient supplement piloted for pregnant and lactating women and girls in Uganda and the introduction of infant cereals);
➢ providing support to new suppliers through capacity-building, technical assistance and enhanced quality inspections.

20. To develop a healthy and sustainable supply base centred on local production, the Food Procurement Unit is supporting regional bureaux and country offices in mapping the required capacity so as to identify the ideal capacity to be made available through the introduction of new companies for each region and product.

21. Discussions are under way with potential new suppliers with a view to providing incentives for investment through long-term commitments. WFP is also exploring opportunities to collaborate with other United Nations agencies and international financial institutions to support new producers. Promoting the sourcing of raw materials from smallholder farmers is an important element of this strategy.
Vegetable oil and sugar

22. In the first three quarters of 2020 WFP sourced most of its sunflower oil, palm oil and sugar requirements through food supply agreements. For palm oil and sugar, differential pricing modalities tied to international commodity exchanges were used, linking the price that WFP pays for those commodities to the market price at the moment call-off orders are placed under the food supply agreements.

23. Faced with the tightness of supply, particularly in vegetable oil markets (partially driven by the effects of lockdowns due to COVID-19), WFP sourced most of these products in spot markets, thus reducing the use of long-term food supply agreements. That strategy proved beneficial, increasing competition in already tightening and volatile markets.

Rations

24. Cross-border food supply for the Syrian Arab Republic continues to be challenging for WFP. In 2020, the Food Procurement Unit was able to operate within the deadlines set by United Nations Security Council resolution 2533\(^1\) to avoid pipeline breaks and plan for future requirements. WFP was able to buy at optimal market prices and book food stocks through the use of food supply agreements and by expanding its supplier base.

\(^1\) On humanitarian situation in the Syrian Arab Republic and renewal of authorization of relief delivery and monitoring mechanism for a period of 12 months ([link](#)).